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January 17, 2012

John R. Baza, Division Director
State of Utah, Division of Oil, Gas and Mining
1594 West North Temple, Suite 1210
PO Box 145801
Salt Lake City, Utah 84114-5801

RECEIVED

JAN 18 2011

DIV. OF OIL, GAS & MINING

**REFERENCE: PR Spring Oil Sand Mine
Ground Water Discharge Permit-By-Rule
Request for Agency Action No. WQ PR-11-001**

Dear Mr. Baza:

US Oil Sands (Utah) Inc., formerly Earth Energy Resources, Inc., has diligently worked to obtain permits for its oil sand mining and processing operation at PR Spring, Uintah and Grand Counties, Utah. The Company was granted a Ground Water Discharge Permit-By-Rule by the Utah Division of Water Quality on March 4, 2008 and its Notice of Intent to Conduct Large Mining Operations was approved by the Utah Division of Oil, Gas and Mining on September 19, 2009.

Since the notice of tentative approval was published following the decision by DOGM in May 2009, the Company has been subject to two informal reviews and two formal Requests for Agency Action on the large mine permit and an RAA on the ground water permit. The DOGM challenges were launched by two different groups: the first informal review and RAA led by the Sierra Club and the Southern Utah Wilderness Alliance and the second informal review and RAA led by Living Rivers. In all challenges, Western Resource Advocates have acted as counsel for the petitioners. The Company prevailed in the two informal challenges to the large mine permit; the first RAA challenge to the large mine permit was settled between the parties; and the second RAA challenge to the large mine permit has been continued pending a decision in the RAA challenge to the ground water permit.

On March 16, 2011, Living Rivers, via Western Resource Advocates, submitted a Request for Agency Action requesting that the Executive Secretary vacate and remand the February 15, 2011 Permit-By-Rule determination for the PR Spring mine. As noted above the Ground Water Discharge Permit was granted on March 4, 2008 and the February 15, 2011 letter simply indicated that the changes to the PR Spring mine operation do not adversely impact ground water quality at site. The Company objected to the RAA on the basis of the date of the original decision and the amount of time that Living Rivers was aware of the permit before lodging its RAA. Final arguments were filed with the Administrative Law Judge on August 12, 2011; however despite our objections, on

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November 9, 2011 the ALJ ruled to allow the hearing to proceed and a two day hearing is scheduled for May 16 and 17, 2012 – 14 months after the original RAA was filed. Final confirmation of the decision on this matter by the Water Quality Board is not expected prior to the end of summer 2012.

These multiple and prolonged regulatory challenges obviously have a detrimental impact on the Company's ability to execute on its project – both from an operational and financial perspective. Permits that have long been granted are now subject to challenge, undermining the status/progress of development. The uncertainty as to timing of resolution of the challenges serves to undermine confidence in our ability to deliver a project that will bring long-term jobs, industry-leading innovation, and royalty revenues to Utahns.

The Company has worked closely with both State and Federal regulatory agencies to obtain its permits and has prevailed in the two informal challenges and settled the first RAA challenge to its large mine permit. However, legal obstructions to our project continue and are exacerbated by delays in the process of resolving the challenges. The Company wishes to resolve the remaining challenges expediently and ensure that an environment does not exist whereby each of the Company's permits can be challenged sequentially – leading to such a drawn out legal battle that the project loses its viability.

I kindly solicit your advice on actions that I may take to ensure that outside, special interest groups are not able to kill a best-in-class oil sand mining project that has won the approval of Utah's regulatory agencies through numerous clearly demonstrated environmental attributes.

If you have any questions or require further clarification on any of the information presented above, please contact me at your convenience. I can be reached at the address and contacts noted below, my mobile telephone is (403) 619-4230, and my e-mail address is barclay.cuthbert@usoilsandsinc.com.

Yours truly,
US Oil Sands Inc.

Barclay Cuthbert
Vice President, Operations

- c: Walter L. Baker, P.E., Director, Division of Water Quality
Kevin S. Carter, Director, School & Institutional Trust Lands Administration
Spencer P. Eccles, Executive Director, Governor's Office of Economic Development
Amanda Smith, Director, Department of Environmental Quality

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